The main reasons for slippages are as under :

. Delay in placement of orders for main plant and equipment and balance of plants.

. Delayed and non-sequential supplies of equipments.

. Constraints in movement of heavy equipment due to bottlenecks in road transportation.

. Inadequate deployment of construction machinery.

. Land acquisition problems.

. Delay in environment and forest clearance.

. Shortage of skilled manpower/commissioning teams.

.Delay in resolution of contractual issues.

Multi-Year tariff regulations

*51. SHRI PENUMALLI MADHU : Will the Minister of POWER be pleased to state:

(a) whether it is a fact that Multi Year Tariff Regulations for 2009-14 have been released recently by the Central Electricity Regulatory Commission;

(b) if so, the salient features thereof; and

(c) how the proposed reglations differ from the earlier regulations?

THE MINISTER OF POWER (SHRI SUSHIL KUMAR SHINDE) : Yes, Sir. The Electricity Act, 2003 states that Appropriate Commissioner, for recommending the terms and conditions of tariff, shall be guided, *inter-alia*, by Multi-Year Tariff (MYT) principles. Accordingly, the Central Electricity Regulatory Commission notified the Central Electricity Regulatory Commission (Terms and Conditions of Tariffs) Regulation, 2009 on 19th January, 2009.

(b) The Central Commission has intimated the sailent features of the Regulations, a copy of which attached as STATEMENT-I (See below).

(c) The Central Commission has also provided the details of diffrence in new and old Regulations, a copy of which is attached as STATEMENT-II.

Statement-I

Salient features of CERC (Terms and Conditions of Tariff) Regulations for 2009-2014

The Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 were finalized after detailed consultation with the stakeholders and would also be the guiding principles for the State Electricity Regulatory Commissions. The regulations aim at attracting much desired investment in power infrastructure in the country while ensuring that the consumers get electricity at reasonable cost.

The following are the important features of the new regulations:

(1) Regulatory philosophy of CERC has been incentivize efficiency gains and to periodically pass the improvements to beneficiaries. Accordingly, the availability target for recovery of fixed cost for thermal power plants has been raised from 80% to 85%. The station heat rate has also been tightened. For the new units, operating margin of only 6.5% for coal/lignite based stations and 5% of gas based stations would be permitted with respect to the design heat rate. The regulations give maximum permissible design heat rate to ensure that inefficient machines are not procured. The norms for secondary oil consumption has been slashed from 2 ml per unit to 1 ml per unit. Further, the savings in secondary oil consumption are to be shared with the beneficiaries in ratio of 50:50.

(2) The economics of scale available to the developers in operation of expansion projects are to be shared with the beneficiaries as the permissible O & M expenditure have been descaled for new expansion units.

(3) To make the tariff fixation more objective and simple, CERC has decided to set up capital cost benchmarks for thermal power projects and transmission projects. The provisional tariff has been done away with and the companies will get final tariff upfront.

(4) The base rate for allowing return on equity has been raised from 14% to 15.5% keeping in view the need attracting investment in the current market conditions.

(5) To incentivize timely completion of projects in the present period of power shortages, an additional return on equity of 0.5% will be available to those projects which are commissioned within the given timelines.

(6) In addition to increased rate of return on equity of 15.5%, the regulations contain several provisions to boost development of hydro power projects. New hydro power projects have been appropriately insulated from hydrological risk during the first ten years of their operations. The regulations also allow enhanced free power and rehabilitation cost according to the new Tariff Policy, with the objective of expediting project implementation.

(7) Return on equity shall be pre-tax for which the base rate of 15.5% would be grossed up by applicable tax rate for the company. This would incentivize investment promotion as the benefit of tax holiday will be now available to the project developer. On the other hand, consumers would not have to bear the burden of income tax on the UI earning, incentive earning and efficiency gains of the projects.

(8) While doing away with the advance against depreciation in line with Tariff Policy, depreciation rates have been reworked to take care of repayment of debt obligations of the new projects. However, once the initial period of 12 years is over, remaining depreciation would be spread over the balance useful life to keep the tariff reasonable.

(9) Tariff regulations have given due attention to the need of renovation and modernization. The companies operating thermal power plants will have now two options. The first option is to claim a special allowance on the basis of per MW per year after completion of normative useful life of the project and in such an event the generating company will be obligated to deliver the norms set for availability and operations. Second option is to go for comprehensive R & M which is to be permitted by Commission on the basis of detailed cost benefit analysis including the efficiency gains to the beneficiaries.

10) To incentivize higher availability of power plants, the incentive available to the generating companies will now be available on the basis of declared availability instead of plant load factor because the generators can only declare better availability and actual schedule is not within their control.

Statement-II

Details of Difference in New and Old regulation

i. Tight **Efficiency Norms** : Regulatory philosophy of CERC has been to incentivize efficiency gains and to periodically pass the improvements to beneficiaries. Accordingly, the availability target for recovery of fixed cost for thermal power plants has been raised from 80% to 85%. The station heat rate has also been tightened. For the new units, operating margin of only 6.5% would permitted with respect to the design heat rate for a coal/lignite based stations and 5% for gas based stations. The regulations give maximum permissible design heat rate to ensure that inefficient machines are not procured.

ii. The economies of scale available to the developers in operation of expansion projects are to be shared with the beneficiaries as the permissible O&M expenditure have been descaled for new expansion units.

iii. Capital **cost benchmarking** : To make the tariff fixation more objective and simple, CERC has decided to set up capital cost benchmarks for thermal power projects and transmission projects. The provisional tariff has been done away with and the companies will get final tariff upfront.

iv. Sharing **of savings on secondary oil consumption** : The norm for secondary oil consumption has been slashed from 2 ml per unit to 1 ml per unit. Further, the savings in secondary oil consumption are to be shared with the beneficiareis in ratio of 50:50.

v. Return **on Equity** (**ROE**) :

(**a**) **The** base rate for allowing return on equity has been raised from 14% to 15.5% keeping in view the need of attracting investment in the current market conditions.

(b) ROE shall be pre-tax for which the base rate of 15.5% would be grossed up by applicable tax rate for the company. This would incentivize investment promotion as the benefit of tax holiday will be now available to the project developer. Consumers would not have to bear the burden of income tax on the UI earning, incentive earning and efficiency gains of the projects. The return on equity was post tax in earlier regulation.

vi. Incentive **for timely completion of projects** : To incentivize timely completion of projects in the present period of power shortages, an additional return on equity of 0.5% will be available to those projects which are commissioned within the given timelines. This was not available earlier.

vii. To incentivize higher availability of power plants, the incentive available to the generating companies will now be available on the basis of declared availability instead of plant load factor because the generators can only declare better availability and actual schedule is not within their control.

viii. **Depreciation** : While doing away with the advance against depreciation in line with Tariff Policy, depreciation rates have been reworked to take care of repayment of debt obligations of the new projects. However, once the initial period of 12 years is over, remaining depreciation would be spread over the balance useful life to keep the tariff reasonable.

ix. O & M norms for thermal generation and transmission system have been rationalised duly considering escalation and impact of pay revision. The O & M for hydro station continues to be based in actual.

x. Renovation & **Modernization** :

Tariff regulations have given due attention to the need of renovation and modernization. The companies operating thermal power plants will have now two options. The first option is to claim a special allowance on the basis of per MW per year after completion of normative useful life of the project and in such an event the generating company will be obligated to deliver the norms set for availability and operations. Second option is to go for comprehensive R & M which is to be permitted by Commission on the basis of detailed cost benefit analysis including the efficiency gains to the beneficiares.

Killing of Tigers

*52. SHRI P.R. RAJAN : Will the Minister of ENVIRONMENT AND FORESTS be pleased to state :

(a) the existing number of tigers in the countryus forests, State-wise;

(b) the number of tigers killed by hunters during the last three years, State-wise;

(c) whether Government is aware of the fact that Wayanand Wildlife Sanctuary in Kerala has set an example in protecting tigers; and

(d) if so, whether Government is considering making it a recognized tiger sanctuary?

THE MINISTER OF STATE OF THE MINISTRY OF ENVIRONMENT AND FORESTS (SHRI JAIRAM RAMESH) : (a) As per the findings of the recent All India tiger estimation, using the refined methodology in 2008, the total country-level population of tiger is 1411 (mid value); the lower and upper limits being 1165 and 1657 respectively. The details are given in the enclosed Statement-I (See below).